



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

January 31, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PROJECT ANGEL FOOD - A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS CARE SERVICE CONTRACT PROVIDER – FISCAL REVIEW**

We completed a fiscal review of Project Angel Food (Agency). The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with Project Angel Food, a non-profit organization, to provide services to eligible individuals living with HIV/AIDS, who are incapable of preparing nutritious meals. The Agency's Program services include home-delivered meals and food bank services. Our review covered a sample of transactions from March 2010 through March 2011.

Our review was intended to determine whether the Agency provided services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, Project Angel Food had one cost-reimbursement contract with DHSP. DHSP paid the Agency approximately \$152,000 from March 2010 through March 2011. The Agency provides services to individuals in all Supervisorial Districts.

Results of Review

Project Angel Food provided services to eligible individuals, recorded and deposited DHSP payments timely, maintained the required personnel records, and maintained

documentation to support Program expenditures. However, the Agency did not comply with all of the County contract requirements. Specifically, the Agency inappropriately charged \$2,385 (100%) of the payroll costs reviewed to the DHSP Program based on budget, instead of actual hours worked, and did not always review and approve bank reconciliations.

Project Angel Food's attached response indicates that they will ensure that payroll costs are billed based on their employees' actual hours worked on DHSP-related activities, and that bank reconciliations are reviewed and approved by management.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Project Angel Food and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations.

We thank Project Angel Food for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, Department of Public Health
Margaret Steele, Chief Executive Officer, Project Angel Food
Don A. Fracchia, President, Board of Directors, Project Angel Food
Public Information Office
Audit Committee

**PROJECT ANGEL FOOD
HIV/AIDS CARE SERVICES
MARCH 2010 TO MARCH 2011**

ELIGIBILITY

Objective

Determine whether Project Angel Food (Agency) provided services to clients who met the Department of Public Health's (DPH) Division of HIV and STD Programs (DHSP) Program eligibility requirements.

Verification

We reviewed the case files for ten clients who received services from March 2010 to February 2011 for documentation to confirm their eligibility for DHSP services.

Results

The Agency had adequate documentation to support the ten clients' eligibility for DHSP services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether Project Angel Food had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, cash receipts were deposited into the Agency's bank account timely, and bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed the Agency's personnel, and reviewed their financial records and March 2011 bank reconciliation.

Results

Project Angel Food recorded revenue in their financial records properly, deposited DHSP payments into the Agency's bank account timely, and prepared monthly bank reconciliations. However, the bank reconciliations from July 2010 to September 2010, and from January 2011 to February 2011, were not reviewed and approved by management.

Recommendation

1. **Project Angel Food management ensure bank reconciliations are reviewed and approved by management.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract, and was used to allocate shared costs appropriately.

We did not perform test work in this section because the Agency did not bill DHSP for any indirect costs.

EXPENDITURES

Objective

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 11 non-payroll expenditures, totaling \$16,028, that the Agency charged to the DHSP Program from March 2010 through February 2011.

Results

The Agency's expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Project Angel Food charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for three employees, totaling \$2,385, from January 2011 to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

Project Angel Food inappropriately charged all \$2,385 (100%) of the payroll costs reviewed to the DHSP Program based on their budget, instead of the actual hours worked. In addition, two of the three employees' time sheets did not indicate the actual hours worked on DHSP-related activities on a daily basis, and one time sheet was not approved by the employee's supervisor.

Recommendations

Project Angel Food management:

- 2. Charge payroll costs based on the actual hours worked on DHSP-related activities.**
- 3. Ensure supervisors approve employees' time sheets.**

COST REPORTS**Objective**

Determine whether the Agency's Cost Report reconciled to the accounting records.

Verification

We traced the costs in the Agency's February 2011 Cost Report to the Agency's accounting records.

Results

Project Angel Food's Cost Reports reconciled to their accounting records.

Recommendation

None.



922 Vine Street
Los Angeles, CA
90038-2702
tel 323.845.1800
fax 323.845.1818
angelfood.org

Wendy L. Watanabe
Audit Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Dear Ms. Watanabe,

Attached you will find the Plan of Corrections for your fiscal compliance review of Project Angel Food.

Please feel free to contact me if you require any further information or have any questions.

Sincerely,



Adam Zopf
Interim Finance Manager
Project Angel Food
323-845-1800 ex. 243

CASH/REVENUE

Result: The bank reconciliations from July 2010 to September 2010 and from January 2011 to February 2011 were not reviewed and approved.

Corrective Action: Project Angel Food management will ensure all bank reconciliations are reviewed and approved by management.

PAYROLL AND PERSONNEL

Result: Project Angel Food inappropriately charged all \$2,385 (100%) of the payroll costs reviewed to the OAPP Program for the three employees review based on budget estimates rather than actual hours worked. In addition, two of the employees' timesheets reviewed did not indicate the actual hours worked on OAPP related activities on a daily basis and one time sheet was not approved by the employee's signature.

Corrective Action: Payroll costs will be based on actual hours worked each day working on OAPP related activities and supervisors will approve all employee time sheets.